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**FISCAL IMPACT STATEMENT**

**LS 6255**

**BILL NUMBER:** HB 1016

**NOTE PREPARED:** Jan 6, 2010

**BILL AMENDED:**

**SUBJECT:** Transfer of Money Between Funds.

**FIRST AUTHOR:** Rep. Truitt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill permits, with several restrictions, a school corporation to transfer money in the corporation's General Fund, Transportation Fund, Capital Projects Fund, or School Bus Replacement Fund to another fund for the purposes of the fund to which the money is transferred.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill would increase a school's flexibility in the use of funds between the following funds:

1.       General Fund
2.       Transportation Fund
3.       Capital Projects Fund, and
4.       School Bus Replacement Fund

Schools would not be allowed to increase the levy of the fund transferring the money to replace the reduction. Schools would be required to adopt a resolution specifying the amount of the transfer, funds involved, date of the transfer, and the general purpose of the transfer. The impact would depend on school board action. As an example, a school may decide to delay some project in the Capital Projects Fund plan,

funded primarily from property taxes, and then transfer the savings to the school General Fund to pay operating expenses or increased transportation expenses.

(Revised) Background: P.L. 224-2003 allowed schools to transfer funds between funds for the 2004 and 2005 calendar years. However, with the expiration of this provision, beginning in CY 2006, only the school General Fund can be used for any purpose, except school transportation; the other funds can only be used for the purpose set forward in statute.

The following funds and numbers of schools with reported 2008 cash balances follow:

1. General Fund: 334 schools with CY 2008 ending statewide cash balances of \$604.3 M.
2. Transportation Fund: 262 schools with a CY 2008 ending statewide cash balances of \$136.5 M.
3. Capital Projects Fund: 372 schools with CY 2008 ending statewide cash balances of \$391.9 M.
4. School Bus Replacement Fund: 263 schools with CY 2008 ending statewide cash balances of \$51.8 M.

The school General Fund is mostly funded by the state. The Transportation Fund, Capital Projects Fund, and School Bus Replacement Fund are primarily funded by property taxes. The property tax controls on the funds are:

- Transportation Fund is a levy controlled fund. The levy is allowed to increase by a certain percentage each year. The control is the same as the civil property tax controls.
- Capital Projects Fund is a rate controlled fund. The rate is a set level that varies from school to school and is adjusted by changes in inflation.
- School Bus Replacement Fund is a levy controlled fund. The levy depends on the estimated cost to replace the school bus fleet over a 12-year period.

**State Agencies Affected:**

**Local Agencies Affected:** Local schools.

**Information Sources:** Department of Education financial database.

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